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Organizational matters

Annual work plan 2003 of the Executive Board of UNDP and UNFPA

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I. Overview

1. The draft annual work plan 2003 was prepared by the Executive Board secretariat in consultation with the Bureau of the Executive Board. As agreed by the Board at its second regular session 2002, there will be two regular sessions and one annual session in 2003.

2. A joint session of the Executive Board of UNDP and UNFPA and the Executive Board of the United Nations Children's Fund (UNICEF), with the participation of the World Food Programme (WFP), will be held during the annual session in June 2003.

II. UNDP

A. Policy and management

3. The Administrator will provide updates on the implementation of the Business Plans, 2000-2003, at every session of the Executive Board in 2003. He will focus specifically on the institutionalization of the practice areas to ensure that UNDP functions as a global development network in assisting programme countries; progress achieved in partnerships and the implementation of the Millennium Development Goals (MDGs); achievements in building staff capacity, learning and performance accountability; and progress in investments regarding information and communication technology (ICT). The lessons learned will set the agenda for the future work of the organization.

4. At its first regular session, the Executive Board will review the report on the special reserve for separations relating to the United Nations Office for Project Services (UNOPS) and the liabilities affecting UNDP (DP/2003/CRP.2); the report of the UNOPS Executive Director on the implementation of the revised budget for 2002 (DP/2003/CRP.3) and the independent review of UNOPS (DP/2003/CRP.4).

B. Programme matters

5. *Assistance to Myanmar.* At the first regular session 2003, the Administrator will report to the Executive Board on the findings and recommendations of the independent assessment mission, which took place in May and June 2002, in his note on assistance to Myanmar (DP/2003/3). He will also report on the implementation of issues regarding assistance to Myanmar raised by delegations at the second regular session 2002.

6. *Country programme outlines.* The Executive Board will review and comment on the country programme outline for Djibouti (DP/CPO/DJI/1), which reports on the fight against poverty, the environment, HIV/AIDS, governance and human rights issues.

7. As agreed with the Executive Board at its second regular session 2002, UNDP will present a progress report on the multi-year funding framework (MYFF), 2000-

2003, at the annual session in June 2003. This progress report will enable the Executive Board and UNDP to discuss results during the current programming period and incorporate lessons learned into the new MYFF, 2004-2007, which will be presented to the Executive Board at its second regular session in September 2003. UNDP will also generate data on achievements in 2002 for internal management; the results-oriented annual report (ROAR), however, will not be presented this year.

8. The MYFF progress report will be a cumulative assessment of performance for 2000-2003 and concentrate on, inter alia, the following:

(a) Performance highlights for 2000-2003 in selected areas;
(b) The extent to which UNDP has become more focused since 2000;
(c) Policy advice and the MDGs;
(d) Experience with gender-mainstreaming;
(e) Contributions of the United Nations Capital Development Fund (UNCDF); the United Nations Development Fund for Women (UNIFEM), United Nations Volunteers (UNV) and the Special Unit for Technical Cooperation among Developing Countries (TCDC) to UNDP results;
(f) A review of the integrated resources framework; and
(g) Main difficulties faced by UNDP.

9. *Joint segment.* During the joint segment of the first regular session 2003, UNDP and UNFPA will present separate reports to the Economic and Social Council on activities undertaken in 2002. UNDP, UNFPA and UNOPS will also report on the implementation of recommendations of the Board of Auditors, 2000-2001.

10. In accordance with decision 2002/23, a report will be presented at the first regular session 2003 on how the Executive Board and representatives of UNDP, UNFPA, UNICEF, UNCDF and UNV in the United Nations country teams could deepen their mutual understanding of how United Nations operational activities could respond to development challenges and possible funding modalities.

C. Financial, budgetary and administrative matters

11. The Executive Board will review the status of regular funding commitments to UNDP and its associated funds and programmes at the annual session 2003 in accordance with decision 98/23. At the second regular session 2003, the Administrator will propose the new MYFF for 2004-2007. The proposed MYFF will take into consideration analysis of country-level demand, the MDGs and the six practice areas. It will also build on the experience gained during the first MYFF 2000-2003.

III. UNFPA

12. In 2003, a key activity will be to build on the achievements of the transition process and implement the remaining recommendations of the field needs assessment study that UNFPA conducted in 2001. With its new strategic direction

and its commitment to results-based management (RBM), UNFPA is better positioned to assist programme countries in achieving the goals of the Millennium Declaration, the Programme of Action of the International Conference on Population and Development (ICPD) and the key actions of ICPD+5. As recognized in decision 2002/5, UNFPA contributes to sustainable development, in particular, poverty eradication, by helping recipient countries address population dynamics and reproductive health issues.

13. Another key activity will be to continue to strengthen the RBM approach in the programming process and to build the capacity of UNFPA staff and national partners to manage for results, including through investing in staff training and development. In response to decision 2002/6, the Fund is also committed to becoming a more effective partner in sector-wide approaches and poverty reduction strategy paper (PRSP) processes, inter alia, to strengthen the implementation of the ICPD Programme of Action toward the attainment of the Millennium Development Goals (MDGs).

A. Policy and management

14. At each session, in her statements to the Executive Board, the Executive Director will report on the status of the implementation of the recommendations emerging from the transition process, including the field needs assessment study.

15. At the first regular session, in the joint segment with UNDP, UNFPA will submit a report on follow-up to the report of the United Nations Board of Auditors for 2000-2001: Status of implementation of recommendations. Under the joint segment, UNFPA will also submit a report to the Economic and Social Council.

16. In her annual report for 2002, the Executive Director will provide the Executive Board with highlights of the UNFPA programme for the year as well as a statistical overview. The annual report will also outline progress achieved in the areas of sector-wide approaches, humanitarian assistance and reproductive health commodity security.

17. At the annual session, the Executive Director will submit a report to the Executive Board to begin the process of delegating formal authority to the Executive Director in matters concerning UNFPA personnel.

18. In response to decision 2002/3, the Executive Director will submit to the Executive Board at its annual session a report on a monitoring and evaluation framework of the Technical Advisory Programme.

19. At the annual session, the Executive Director will submit UNFPA country programme outlines developed under the harmonized programming process set forth in decision 2001/11.

20. In response to decision 2001/11, UNFPA and UNDP will jointly present a report at the annual session on common tools to monitor progress and evaluate outcomes/results of respective country programmes with a view to further harmonizing and standardizing the programme process.

21. At the annual session, under the joint segment with UNDP, UNFPA will present a report on internal audit and oversight.

B. Organizational results

22. The Executive Director will report periodically to the Executive Board during the year on the status of implementation of the RBM approach at UNFPA.

23. UNFPA will report on the 2000-2003 multi-year funding framework (MYFF) as part of the Executive Director's annual report, which will be submitted to the Executive Board at its annual session in June 2003.

24. In response to decision 2000/9, the Executive Director will present a detailed report on the progress towards and achievement of results during the MYFF cycle, lessons learned, and their implications for the Fund's future priorities. The report will include an analysis of the income and resource utilization trends during the cycle. As in previous years, the report will present an in-depth analysis of one of the MYFF strategies – building and strengthening partnerships.

25. The report will also examine the implications of the results achieved and lessons learned with regard to the formulation of the MYFF for the next cycle, to be presented to the Executive Board in January 2004.

C. Financial resources and budget

26. The meeting on funding commitments to UNFPA will be held at the annual session in conjunction with the presentation of the report on the Fund's MYFF, in accordance with decision 98/24.

27. The Executive Director will submit to the Executive Board at its second regular session proposed estimates for the biennial support budget for 2004-2005. A report on the annual financial review 2002 will also be submitted to the Board at the second regular session.

Annex

Annual work plan 2003 of the Executive Board of UNDP and UNFPA

First regular session: 20 to 29 January 2003

1. Organizational matters

   - Election of the Bureau of the Board for 2003
   - Adoption of the agenda and work plan for the session (W)*
   - Adoption of the report of second regular session 2002 (W)
   - Adoption of the annual work plan 2003 of the Executive Board (decision 96/25) (W)

UNDP segment

2. UNDP Business Plans, 2000-2003

   - Report on the implementation of the Business Plans, 2002-2003 (O)

3. Country programmes and related matters

   - Country programmes (W)
   - Report of the assessment mission to Myanmar (W)

4. Financial, budgetary and administrative matters

   - Report on the special reserve for separations relating to UNOPS and the liabilities affecting UNDP (W)

5. United Nations Office for Project Services

   - Report of the UNOPS Executive Director on the implementation of the UNOPS revised budget 2002 (W)
   - Independent review of UNOPS (W)

6. Field visits

   - Possible ways in which the Executive Board and the representatives of UNDP, UNFPA, UNICEF, UNCDF and UNV can deepen their understanding of United Nations operational activities (W)

Joint UNDP and UNFPA segment

7. Recommendations of the Board of Auditors, 2000-2001

   - UNDP: Report on the implementation of the recommendations of the Board of Auditors

* W = written; O = oral.

for the biennium 2000-2001 (W)
- UNFPA: Follow-up to the report of the United Nations Board of Auditors for 2000-2001: Status of implementation of recommendations (W)
- UNOPS: Follow-up to the report on the implementation of the recommendations of the Board of Auditors for the biennium 2000-2001 (W)

8. Reports to the Economic and Social Council

- UNDP: Report to the Economic and Social Council (W)
- UNFPA: Report to the Economic and Social Council (W)

UNFPA segment

9. Country programmes and related matters

- Country programmes for Botswana, Burundi, Cameroon, Comoros, Côte d'Ivoire, Equatorial Guinea, Guinea-Bissau, Mali, Mauritania and Nigeria (W)
- Country programmes for Djibouti and Jordan (W)
- Country programmes for Bangladesh, China, India, Maldives, Papua New Guinea, the South Pacific subregion and Timor-Leste (W)
- Country programmes for Bolivia, Colombia, El Salvador and Venezuela (W)

10. Other matters

Informal consultations

- Informal consultations on strategic evaluations on corporate issues that are of high priority to the organization

Annual session: 9 to 20 June 2003 (New York)

1. Organizational matters

- Adoption of the agenda and work plan for the session (W)
- Adoption of the report of first regular session 2003 (W)

UNDP segment

2. Annual report of the Administrator

- Annual report of the Administrator, including the multi-year funding framework (W)
- Statistical annexes (W)
- Report of the Joint Inspection Unit (W)

3. United Nations Capital Development Fund (UNCDF)

- Results-oriented annual report (W)

4. Technical cooperation among developing countries

- New cooperation framework (W)

5. Funding commitments to UNDP

- Status of regular funding commitments to UNDP (W)

6. Country programmes and related matters

- Country programme outlines (W)

7. Trust funds

- Report on trust funds (W)

8. UNOPS: Annual Report of the Executive Director

- Annual report of the Executive Director on UNOPS (W)

Joint UNDP/UNFPA segment

9. Internal audit and oversight

- Reports of UNDP, UNFPA and UNOPS on internal audit and oversight (W)

10. Field visits

- Reports on field visits (W)

11. Programming process

- Report of UNDP/UNFPA on common tools to monitor progress and evaluate outcomes/results of respective country programmes (W)

UNFPA segment

12. Report of the Executive Director 2002

- Report of the Executive Director, 2002, including statistical overview, multi-year funding framework, sector-wide approaches, humanitarian assistance and reproductive health commodity security (W)

13. Delegation of UNFPA Personnel Authority

- Report on delegation of formal authority to the Executive Director on UNFPA personnel matters (W)

14. Funding commitments to UNFPA

- Report on funding commitments to UNFPA (W)

15. Country programmes and related matters

- Country programme outlines (W)

16. Technical Advisory Programme

- Report on a monitoring and evaluation framework of the Technical Advisory Programme (W)

17. Other matters

Joint meeting of the Executive Boards of UNDP/UNFPA and of UNICEF, with the participation of the Executive Board of WFP
(Duration and theme to be decided)

Second regular session: 8 to 12 September 2003

1. Organizational matters

- Adoption of the agenda and work plan for the session (W)
- Adoption of the report of annual session 2003 (W)
- Preliminary draft work plan for 2004 (W)

UNDP segment

2. Financial, budgetary and administrative matters

- Annual review of the financial situation, 2002 (W)
- Biennial budget estimates for 2004-2005 (W)
- Report of ACABQ on biennial budget estimates, 2004-2005 (W)

3. Multi-year funding framework

- Second multi-year funding framework, 2004-2007 (W)

4. Evaluation

- Annual report of the Administrator on Evaluation (W)

5. Country programmes and related matters

- Country programme outlines (W)

6. UNOPS: Financial, budgetary and administrative matters

- Budget estimates for 2004-2005 (W)
- Report of ACABQ on budget estimates, 2004-2005 (W)

UNFPA segment

7. Financial, budgetary and administrative matters

- Report on estimates for the biennial support budget, 2004-2005 (W)

- Report of ACABQ on the biennial support budget, 2004-2005 (W)
- Report on the annual financial review, 2002 (W)

8. Country programmes and related matters

- Country programme outlines (W)

9. Other matters

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Financial, budgetary and administrative matters

Report on the special reserve for separations relating to the United Nations Office for Project Services and the liabilities affecting UNDP

1. In its decision 2002/17, the Executive Board authorized the establishment of a special reserve of $1.5 million and requested that the Administrator of UNDP report back on liabilities affecting UNDP in relation to workforce reduction at the United Nations Office for Project Services (UNOPS) during the first regular session of the Executive Board in January 2003.

2. As a result of the workforce reduction at UNOPS, 16 people holding UNDP letters of appointment have been displaced from their positions in UNOPS. While the actual cost will depend on the number of staff who are not placed and who are terminated, the estimated total liability to UNDP and UNOPS of separating 16 people would be $2.3 million. Based on the apportionment agreement between UNDP and UNOPS, the total cost to UNDP would be $1.1 million.

3. As of 30 November 2002, eight staff are in the process of being separated at an estimated cost of 0.5 million to UNDP. There are still possibilities for the placement of the other eight affected staff but, if they also need to be separated, the estimated costs would be about $0.6 million.

4. The use of the special reserve will be reported on in the 2002-2003 UNDP audited financial statements.

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Item 5 of the provisional agenda
United Nations Office for Project Services

Report of the UNOPS Executive Director on the implementation of the UNOPS revised budget 2002

I. Introduction

1. The present report is submitted to the Executive Board through the Management Coordination Committee (MCC) of the United Nations Office for Project Services (UNOPS), pursuant to paragraph 9 of decision 2002/21 dated 27 September 2002. The report provides an update, as of 31 October 2002, on the implementation of the revised 2002 budget, including levels of delivery, income, expenditure and changes in the level of the operational reserve. UNOPS is currently operating within very tight margins for all business variables; risks of the kind normally associated with UNOPS conduct of business still remain through year-end. The report also describes the management actions being taken by UNOPS, under the overall guidance of the MCC, in both the short and long term, which are contemplated in the contingency plan (document DP/2002/35/Add.2), approved by the Executive Board in decision 2002/17, in order to ensure a balance between income and expenditure and put UNOPS on course for the restoration of the operational reserve to its appropriate level over time.

II. Situation and summary of business parameters as of 31 October 2002

2. Notwithstanding the significant difficulties faced by the organization in 2002 to align its income and expenditure – having reduced its budget by 17 per cent compared to actual 2001 expenditure, largely through staff reductions, including reduction of headquarters staff by 23 per cent – UNOPS has been able to stay on track with its project delivery targets. UNOPS staff must be recognized for this achievement. A downward adjustment in service income had to be introduced as a result of detected errors relating to rental income for UNOPS space at 820 Second Avenue, New York, and to reflect correctly what was a reduction in personnel costs, which had also been inadvertently forecast as

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service income. Increases in staff costs, which were explained during the second regular session 2002, are turning out to be larger than initially estimated. Staff separation costs that are chargeable to the operational reserve, however, are lower than last forecast. UNOPS has also identified some prior years' savings by canceling unliquidated obligations no longer considered valid. As of the end of October, factoring all actual income and expenditure, the calculated balance of the operational reserve is $2.5 million.

3. The financial status as of 31 October, as compared to the budget estimates for 2002 approved by the Executive Board, is presented in the attached table. An analysis of each business parameter follows and provides actual data and projected end-of-year levels. In view of the low level of the operational reserve and past experience with actual results against forecasts, it is considered prudent not to provide a single projection. For comparison purposes, therefore, UNOPS also provides what the levels would be should the pattern experienced in 2000 repeat (referred to hereafter as "comparator level").

Project delivery

4. As of 31 October, delivery under the projects portfolio reached $408 million, which is 97 per cent of the target for that date, assuming a linear delivery throughout the year. More importantly, UNOPS has remained on track throughout 2002, owing to its revised and more detailed planning methodology introduced in early 2002. UNOPS has thus far not experienced variations between estimates and actual results as in prior years. In addition, in 2002 UNOPS has vigorously monitored and adjusted prior years' unliquidated obligations on a monthly basis, thus decreasing the potential for large credits to offset project delivery in the last two months of the year. For the remainder of 2002, UNOPS will continue to exercise caution and monitor the delivery situation tightly to ensure that it is in a position to address any slippage that may occur in delivery immediately, especially for high risk or high dollar-value portfolios.

5. On the positive side, UNOPS normally experiences a surge in project delivery in the last two months of the year, as certain projects are traditionally active at this time, while there is also catching-up in the recording of expenditure incurred at project locations.

Income

6. As of 31 October, UNOPS has earned $28.8 million income for project delivery, which is 81 per cent of the annual target. UNOPS has earned $5.4 million from its services-only portfolio, of which $4.8 million is from services to the International Fund for Agricultural Development (IFAD) (75 per cent of original target). UNOPS has earned $0.6 million as other income (55 per cent of original target), for a total of $34.8 million as of the end of October. This amount represents 79 per cent of the target of $44.3 million total income in the approved budget, as per document DP/2002/33.

7. At this time, it is projected that, based on estimated project delivery of $503 million, the projected total income for 2002 will be $43.1 million. The comparator level would amount to $475 million, in which case the total income for the year would be $41.3 million.

Administrative expenditure

8. As of the end of October, UNOPS has incurred $36.7 million of administrative expenditure (83 per cent of the target of $44 million). Further to the indication by the Executive Director during the second regular session 2002, UNOPS has identified greater increases resulting from adjustments to personnel costs and identification of unanticipated increases in costs in some duty stations. As at 31 October 2002, UNOPS recurrent administrative expenditure exceeds current earned income by $1.9 million.

9. For 2002, it is now projected that total administrative expenditure will be $44.9 million. By year-end, with a projected income of $43.1 million, as indicated in paragraph 7 above, administrative expenditures are expected to exceed income by $1.8 million. Again, with the comparator level of $41.3 million in income, total administrative expenditures would exceed income by $3.6 million.

Staff separation costs

10. In document DP/2002/33, UNOPS had revised down its estimate for staff separation costs that would be directly chargeable to the operational reserve to $2.0 million. Since that time, a number of staff has been separated, while others have found positions elsewhere in the United Nations system. Actual costs as of 31 October are $1 million. UNOPS estimates that a maximum additional amount could be $0.6 million, for a total not to exceed $1.6 million. This cost could further decrease as affected staff is placed in other organizations.

Prior year savings

11. Similar to the extensive ongoing review of unliquidated obligations against projects, UNOPS is conducting a review of unliquidated obligations against the administrative budget. While an on-going exercise, to date, UNOPS has identified $400 000 of savings from obligations that are to be cancelled.

Level of the operational reserve

12. For 2002, the starting balance of the operational reserve was $5 million. Based on current levels of income and expenditure, including direct charges to the operational reserve for staff separations and credits from prior year savings, the calculated level of the operational reserve is $2.5 million as of 31 October 2002.

13. The year-end balance of the operational reserve for 2002 is projected to be $2.0 million. Again, for comparison purposes, should the pattern of 2000 be considered, the level of the reserve would be $0.2 million.

III. Revised estimates for 2002

14. There continues to exist a number of risk factors that could affect the achievement of targets:

(a) At this late time of the year, the ability of UNOPS to cover shortfalls from one project by implementing activities of another is limited;

(b) The UNOPS target includes several very large dollar-value transactions that, if not delivered, could not reasonably be covered with other transactions;

(c) UNOPS is also dependent upon project activities that are in high-risk areas susceptible to project delays or stoppages.

For these reasons, it is considered prudent to present the projected outcome as per actual data while also providing a comparator level for income and expenditure estimates, should the 2000 pattern repeat. Importantly, even if UNOPS achieves the project delivery target of $503 million for 2002, it will still not match its recurrent expenditure with sufficient income, owing to the reasons set forth in paragraph 8. This will have a further negative impact on the level of the operational reserve. At this stage, therefore, it is necessary to take a number of management actions as described below to enable UNOPS to address the imbalance between income and expenditure – if possible in 2002 but especially for 2003 and beyond. These measures are in line with the elements of the contingency plan approved by the Executive Board in its decision 2002/21, which foresees initiation of the plan when the level of the operational reserve is expected to fall below $2 million.

IV. Next steps

15. In view of the above, UNOPS is ready to implement the contingency plan (document DP/2002/35/Add.2) approved by the Executive Board in decision 2002/21. The following management actions are therefore being taken in order to overcome the imbalance that has existed in UNOPS between income and expenditure.

Actions affecting delivery and income in 2002

(a) UNOPS will update the MCC twice per month on actual income and expenditures;

(b) UNOPS is stepping up all opportunities to identify and carry out delivery in the current year in order to meet or exceed its current target;

(c) In line with the recommendations of the Board of Auditors, and as foreseen in the contingency plan, UNOPS has already begun renegotiating fees with clients; however, any renegotiated fee structures would most likely only affect future income levels and may not necessarily benefit the 2002 financial situation of UNOPS;

(d) UNOPS is implementing a mechanism to identify situations where clients' requests to delay or cancel projects previously contractually committed to UNOPS have resulted in costs to UNOPS and for which UNOPS will seek reimbursement. Already, for 2002, UNOPS has identified projects totaling $14.5 million that fall into this category and

UNOPS is currently reviewing those projects to determine the amount of loss of income that could be subject to negotiations with those clients;

Actions affecting expenditure in 2002

(e) UNOPS has frozen any administrative expenditure that does not contribute directly to delivery;

(f) UNOPS management is undertaking a de novo review of budget allocations to identify and implement further reductions in expenditure as called for, among other measures, by the contingency plan and is also confirming unliquidated obligations and surrendering those that are no longer valid;

Longer-term measures

(g) A task force has been created to analyze portfolios, review costs of services and setting of fees, and align income collection with service delivery and further address the imbalance between administrative costs and income;

(h) UNOPS is seeking new opportunities to increase business acquisition for 2003;

(i) UNOPS is also exploring the means for recovering increases in personnel costs that are unforeseen.

2002 income and expenditure projections
as of 31 October 2002
(in millions of United States dollars)

	Approved revised 2002 estimates	Actual as of October 2002	Projected as of end 2002*
Delivery			
- projects	503.2	408.0	503.0
Total delivery	**503.2**	**408.0**	**503.0**
Income			
Income from implementation of project portfolio	35.4	28.8	35.4
Income from "services only"	7.8	5.4	7.1
Other income	1.1	0.6	0.6
Total income	**44.3**	**34.8**	**43.1**
Administrative expenditure			
Recurring administration expenditures	44.0	36.7	44.9
Non-recurring administrative expenditures			
Total administrative expenditures	**44.0**	**36.7**	**44.9**
Movements on the operational reserve			
Operational reserve brought forward	5.0	5.0	5.0
Direct charge to operational reserve (to cover estimated staff separation costs)	(1.5)	(1.5)	(1.5)
Transfer to operational reserve	0.3	0.4	0.4
Transfer from operational reserve		(1.9)	(1.8)
Operational reserve carried forward	**3.3**	**2.5**	**2.0**

*For comparison purposes, drawing from 2000 experience, UNOPS would deliver $475 million, earn $41.3 million and the level of the operational reserve would be $0.2 million as of year-end.